

**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS**

City of Chicago, City and County of Denver
Ans Pima County,

Plaintiffs,

v.

United States Department of Homeland Security;
Kristi Noem, in her official capacity as Secretary of
the United States Department of Homeland Security;
United States Federal Emergency Management
Agency; and David Richardson, in his official
capacity as Acting Administrator of the United
States Federal Emergency Management Agency,

Defendants.

Case No.: 1:25-cv-05463

DECLARATION OF ANNETTE GUZMAN

I, Annette Guzman, declare as follows:

1. I am a resident of the City of Chicago in the State of Illinois. I am over the age of 18 and have personal knowledge of all the facts stated herein, except to those matters stated upon information and belief; as to those matters, I believe them to be true. If called as a witness, I could and would testify competently to the matters set forth below.

2. I currently serve as Budget Director of Chicago's Office of Budget and Management ("OBM"). I have held this position since May of 2023. Before my appointment as Budget Director, I served as the Budget Director for Cook County, Illinois, the second largest county in the country, where, among other activities, I was responsible for the management of over \$1.7 billion in COVID-19 funding, \$200 million of which was FEMA Public Assistance.

3. As the Budget Director, I manage the office responsible for developing, implementing, and managing the City's annual budget and financial planning processes. I serve as a liaison and subject matter expert on the responsible and transparent use of public funds and all related policy matters. I have built and currently manage an executive team of five (5), a budget of \$20 million (as well as the City's \$17 billion budget), and approximately 61 employees.

4. Between 2022 and 2024, the City of Chicago received more than 50,000 migrants. Chicago spent more than \$600 million in local, state, and federal funds to provide services to these new arrivals, including approximately \$260 million from the City's Corporate Fund, for which Chicago has not, and does not expect , to receive reimbursement from any other source.

Direct SSP Grants

5. The City of Chicago received just over \$38 million dollars in direct Shelter and Services Program (SSP) awards.

6. The Federal Emergency Management Agency (FEMA) issued its first grant to Chicago under the FY2023 SSP-A in August 2023 ("2023 SSP-A Grant"), with an upward revision in September 2023, awarding a total of \$12,546,098.03. FEMA has largely disbursed these funds to Chicago.

7. FEMA issued its second grant to Chicago under the FY2024 SSP-A in July 2024 ("2024 SSP-A Grant"). FEMA later revised this award upwards for a total award of \$13,441,881.46.

8. FEMA issued a third grant to Chicago through a competitive bid process under the SSP-C Notice of Funding Opportunity in September 2024 ("2024 SSP-C Grant"), awarding \$12,288,565.

9. This Declaration refers to the 2024 SSP-A Grant and the SSP-C Grant as the “Chicago 2024 SSP Grants.” The three Shelter and Services Program grants that FEMA awarded to Chicago directly, rather than as pass-through awards to the State of Illinois, are the “Direct Chicago SSP Grants.”

10. FEMA issued each of the Direct Chicago SSP Grants with a funding hold for the full amount awarded. This meant that before Chicago could submit a draw request for funds under the Direct Chicago SSP Grants, FEMA required Chicago to “provide a detailed cost breakdown and justification for the cost items” enumerated in the relevant grant’s budget.

11. In December 2023, Chicago submitted an amended budget for the 2023 SSP-A Grant. The budget sought \$12,739,273 to pay a vendor for 6,800 migrants’ meals for 90 days, with each migrant receiving three meals per day and each meal capped at \$7. The following week, FEMA approved the budget amount in full.

12. FEMA conducted a “desk review” of Chicago’s work under the 2023 SSP-A Grant in February and March 2024. As part of the desk review, FEMA requested that Chicago provide substantial financial and accounting records related to the grant, Chicago’s audited financial statements and prior fiscal year revenue, and policies and procedures regarding the New Arrivals Operation, the Shelter and Services Program budget process, and general accounting practices.

13. In April 2024, following Chicago’s submission of the requested information, FEMA notified Chicago: “There were no filings that require corrective actions. We would like to take this opportunity to thank you and the Office of Budget and Management staff for being very helpful and cooperative in providing FEMA with the information requested for conducting this desk review.”

14. In May 2024, FEMA paid Chicago \$12,546,098.03 under the 2023 SSP-A Grant.

15. Like the 2023 SSP-A Grant, FEMA provisionally approved each of the 2024 Direct SSP Grants' budget summaries pending Chicago's submission of supporting documentation.

16. In December 2024, based on guidance from FEMA representatives about allowable costs, Chicago submitted a budget amendment seeking approval to allocate all the 2024 Direct SSP Grants to pay a vendor for janitorial, security, laundry, and shelter management staff. Chicago submitted the following documentation for FEMA's review; a summary chart of the people served, including each migrant's name, Alien Registration Number or "A-Number" (a unique seven-to-nine digit identifier that DHS assigns to non-citizens), date of release from DHS custody, and dates of service; the invoices upon which the budget amendment was based; and proof of payment.

17. On February 5, 2025, FEMA notified Chicago that it has approved the budget amendment and authorized Chicago to submit its drawdown requests, releasing FEMA's holds on \$10,857,525 of the 2024 SSP-C Grant and \$11,873,241.46 of the 2024-SSP-A Grant. FEMA sent two memos to Chicago memorializing this approval, both of which read: "The change to your grant was reviewed and is hereby approved as specified below. All other terms and conditions of this grant shall remain unchanged."

18. On February 6, 2025, having received FEMA's approval of the budget amendment and authorization to submit draw requests, Chicago submitted drawdown request for \$10,857,525 of the 2024 SSP-C Grant and \$11,873,241.46 of the 2024-SSP-A Grant. FEMA has failed to disburse the requested funds to Chicago.

19. Chicago OBM employees submitted all budget amendments and drawdown requests under the Direct Chicago SSP Grants through an online grant management portal used by FEMA, colloquially known as FEMA Go.

Pass-Through Grants

20. In addition to the three Direct SSP Grants, FEMA awarded two grants to the State of Illinois under the Shelter and Services Program. The State of Illinois disburses funds received under these grants to Chicago pursuant to contracts between Chicago and Illinois (“Pass Through SSP Grants”).

21. FEMA awarded a Pass-Through SSP Grant to the State of Illinois in August 2023 and increased the amount of the grant in September 2023 for a total award of \$19,366,204. The State of Illinois has awarded the full amount of this grant to Chicago.

22. Chicago provided documentation to the State of Illinois in order to submit an initial drawdown request under the 2023 Pass-Through SSP Grant in August 2024. FEMA responded by disbursing \$1,760,587.50 to the State in September 2024. The State of Illinois transferred those funds to Chicago.

23. In addition to Chicago’s drawdown requests, Chicago has provided information to assist the State of Illinois to submit a drawdown request under the 2023 Pass-Through SSP Grant on January 31, 2025, seeking \$15,054,116.50. This drawdown request sought reimbursement for the cost of paying a vendor for janitorial, security, nursing, and shelter management staff from March to December 2023. To support this request, Chicago provided the required supporting documentation, including a summary list of individuals served, A-numbers, invoices, and proof of payment.

24. FEMA has not disbursed any of the money sought in the January 21 drawdown request.

25. FEMA awarded a Pass-Through SSP Grant to the State of Illinois in July 2024 for \$9,632,300. Neither Chicago nor Illinois have submitted draw requests under this grant.

The Letters

26. On March 12, 2025, an employee under my supervision received a letter titled “Remedy for Noncompliance Letter, Shelter and Services Program (SSP),” dated March 11. That letter is attached hereto as Exhibit 1.

27. On April 1, 2025, an employee under my supervision received a letter titled “Termination Notice: Shelter and Services Program Grant Award,” dated April 1. That letter is attached hereto as Exhibit 2.

28. On or about April 11, 2025, a Chicago OBM employee acting at my direction logged into the FEMA Go online portal, and discovered that none of the Direct Chicago SSP Grants, nor any information about those or any other federal award Chicago has received from FEMA, were visible on FEMA Go. A second Chicago OBM employee also logged into FEMA Go on that date and discovered that all award information had disappeared for him, too.

29. On April 24, 2025, an employee under my supervision received an email providing SSP award closeout instructions pursuant to the April 1 Letter, which directed Chicago OBM to submit closeout documentation via email in lieu of FEMA Go. That email is attached hereto as Exhibit 3.

Harm to Chicago

30. Chicago is already facing difficult budgetary decisions without the potential loss of federal funds. Currently, Chicago faces a budget deficit of \$1.1 billion for FY2026 and a projected deficit of approximately \$1.3 billion by FY2027.

31. Chicago now risks carrying an additional \$50 million in costs that federal funds, pursuant to Chicago’s Direct SSP Grants and Pass-Through SSP Grants, were supposed to address. The threat of losing this money means that Chicago leadership must make hard choices, including whether to cut City services, lay off additional workers, or eliminate public programs. For

example, an additional \$50 million shortfall is roughly equal to the cost to employ 500 employees, or equivalent to the full cost of a popular youth employment program.

32. The confusion and uncertainty created by the potential elimination of SSP funds inhibits Chicago leadership's efforts to weigh these hard choices and is already having an impact on Chicago's budget planning for 2026, which is already underway. If the City must eliminate a program and so terminate a subcontract, the relevant department must notify subcontractors of discontinuance of contracts well ahead of the introduction of the City's proposed budget to allow those subcontractors time to plan their fiscal year budgets accordingly. To the extent we will need to do reductions in force within our operations, we also have to plan ahead of our budget cycle, because departments must enter the information into their budget requests and plan for the necessary notifications to be presented to employees in compliance with the City's collective bargaining agreements. The Mayor must deliver a proposed budget to the City Council by October 2025. Thus, Chicago is put in an impossible position of trying to plan and pay for essential services for the communities it serves while not knowing whether the funds it relies on for these services will be available or must be diverted to cover SSP-related costs.

I declare under penalty of perjury under the laws of the United States that, to the best of my knowledge, the foregoing is true and correct.

Executed on June 17, 2025, at Chicago, Illinois.



Annette Guzman

EXHIBIT 1



FEMA

March 11, 2025

Chloe Belczak
Office of Budget and Management
City Of Chicago
121 North LaSalle Street
Room 604
Chicago, IL 60602

Re: Remedy for Noncompliance Letter, Shelter and Services Program (SSP)

Grant Number: EMW-2023-SP-05048

Period of Performance: March 1, 2023 – September 30, 2025

Award amount: \$12,739,273.00

Grant Number: EMW-2024-SP-05033

Period of Performance: October 1, 2023 – September 30, 2026

Award amount: \$13,441,881.46

Grant Number: EMW-2024-SP-05108

Period of Performance: October 1, 2023 – September 30, 2026

Award amount: \$12,288,565.00

Dear Chloe Belczak:

The purpose of this letter is to notify you that DHS/FEMA is temporarily withholding payments to your organization for the grant award(s) named above, pursuant to 2 C.F.R. § 200.339(a) and is instituting specific conditions on your award pursuant to 2 C.F.R. § 200.208.

Findings

The Department of Homeland Security has significant concerns that SSP funding is going to entities engaged in or facilitating illegal activities. The Department is concerned that entities receiving payment under this program may be guilty of encouraging or inducing an alien to come to, enter, or reside in the United States in violation of law, 8 U.S.C. § 1324(a)(1)(A)(iv); transporting or moving illegal aliens, *id.* § 1324(a)(1)(A)(ii); harboring, concealing, or shielding from detection illegal aliens, *id.* § 1324(a)(1)(A)(iii); or applicable conspiracy, aiding or abetting, or attempt liability respecting these statutes.

DHS/FEMA is required to administer its grant awards so as to ensure that federal funding is expended and associated programs are implemented in full accordance with the U.S. Constitution, applicable federal statutes, and regulations. 2 C.F.R. § 200.300(a). The terms and conditions of the award allow the Department to institute appropriate remedies for noncompliance which include temporarily withholding payments or suspending or terminating the award for a failure to comply with the conditions of the award or applicable federal statutes. See 2 C.F.R. §§ 200.208; 200.340; and 200.339(a).

Remedy Action(s) and Specific Condition(s)

Non-federal entities receiving financial assistance from DHS/FEMA are required to comply with requirements in the terms and conditions of their awards or subawards, including the terms set forth in applicable federal statutes, regulations, Notice of Funding Opportunities, and policies. Throughout the award lifecycle or even after an award has been closed, DHS/FEMA may discover potential or actual noncompliance on the part of a recipient or subrecipient. This potential or actual noncompliance may be discovered through routine monitoring, audits, closeout, or reporting from various sources. In the case of any potential or actual noncompliance, DHS/FEMA may place special conditions on an award per 2 C.F.R. § 200.208 and § 200.339, DHS/FEMA may place a hold on funds until the matter is corrected, or additional information is provided per 2 C.F.R. § 200.339, or it may do both.

Based on the concerns described above, DHS/FEMA will conduct additional monitoring and review of your award(s) as permitted by the terms and conditions of the award(s) to ensure compliance with all terms and conditions of your award(s). During this time, payments under the grant award(s) will be temporarily held. Further, you are not permitted to incur any additional costs under the grant until notified further by DHS/FEMA.

To assist DHS/FEMA in conducting this review, please respond within 30 days with the following information that your organization has not already submitted to DHS/FEMA:

1. All documents regarding the aliens with whom your organization and your subrecipients and contracts interacted with in carrying out the scope of your SSP award, including their names and contact information; and a detailed and descriptive list of specific services provided, and proof of provision of these services; or
2. A written statement that your organization has already submitted all of the information identified in No. 1, above, to DHS/FEMA.

Additionally, to ensure compliance with all applicable federal laws and regulations in the execution of your SSP award, FEMA will be imposing an additional special condition that requires you, and the executive officers of any subrecipient or contractor that receives funding under the award, to sign an affidavit attesting that you and they have not participated in, and have no knowledge or suspicion that anyone in your or their organizations participated in, any crime cognizable under 8 U.S.C. §§ 1324(a)(1)(A)(iv); 1324(a)(1)(A)(ii); or 1324(a)(1)(A)(iii). Additional details regarding this new requirement will be forthcoming shortly. Upon the conclusion of that monitoring, FEMA will notify you of the results and any other remedies for noncompliance or specific conditions, as appropriate.

Opportunity to Appeal

Your organization has the right to appeal this action within 60 days of the date of this letter. The appeal must include the following information:

1. Grant number(s).
2. Recipient name.
3. A written explanation, on your organization's letterhead, explaining why you believe FEMA's decision to temporarily withhold payments to your organization for the grant award(s) named above, pursuant to 2 C.F.R. § 200.339(a), or to prohibit your organization from incurring additional costs under the grant, is not correct.
4. Copies of any documents or statements that support your position that FEMA's decision to temporarily withhold payments to your organization for the grant award(s) named above, pursuant to 2 C.F.R. § 200.339(a) is not correct.

Written appeals should be sent directly to FEMA-SSP@fema.dhs.gov.

The FEMA Grant Programs Directorate is available to respond to any questions you may have. Please send all information and communications regarding this notification to FEMA-SSP@fema.dhs.gov.

Sincerely,



Cameron Hamilton
Senior Official Performing the Duties of the
Administrator

EXHIBIT 2

U.S. Department of Homeland Security
Washington, DC 20472



FEMA

April 1, 2025

Chloe Belczak
Office of Budget and Management
City Of Chicago
121 North LaSalle Street
Room 604
Chicago, IL 60602

Re: Termination Notice: Shelter and Services Program Grant Award

Grant Number: EMW-2023-SP-05048
Award amount: \$12,739,273.00

Grant Number: EMW-2024-SP-05033
Award amount: \$13,441,881.46

Grant Number: EMW-2024-SP-05108
Award amount: \$12,288,565.00

Dear Chloe Belczak:

This letter serves as official notice that the Department of Homeland Security (DHS)/Federal Emergency Management Agency (FEMA) is terminating your Shelter and Services Program (SSP) grant awards identified above, effective immediately. DHS/FEMA is making this termination pursuant to the terms and conditions of the grant awards. These terms and conditions include the SSP Notice of Funding Opportunity (NOFO) that applies to your grant and 2 C.F.R. § 200.340(a)(2) (2020), which authorizes DHS/FEMA to terminate your awards “to the greatest extent authorized by law, if an award no longer effectuates the program goals or agency priorities.”

Your agency received the grant awards identified above to carry out the purposes of the SSP identified in the awards’ respective NOFOs. The Department, consistent with President Trump’s direction, is focused on advancing the essential mission of enforcing immigration laws and securing the border. Consequently, grant programs that support, or have the potential to support, illegal immigration through funding illegal activities or support for illegal aliens that is not consistent with DHS’s enforcement focus do not effectuate the agency’s current priorities. The previous agency priorities under the FYs 2023 and 2024 SSP were to provide funding to non-federal entities to provide shelter, food, transportation, acute medical care, and personal hygiene supplies for individuals released from DHS short-term holding facilities. The individuals receiving these services often have no legal status and are in the United States unlawfully, such as those awaiting removal proceedings. This, in turn, provides support for illegal aliens and is not consistent with DHS’s current priorities. For these reasons, DHS/FEMA is terminating your awards.

Notice of Grant Award Termination: Shelter and Services Program
Page 2

In accordance with the terms of your awards, including 2 C.F.R. §§ 200.344-345 (2020), you must complete all closeout procedures. This includes, among other things, submitting all financial, performance, and other required reports within 120 calendar days from the date of this letter and promptly refunding any funding paid to date that exceed the amount set forth in your final federal financial report. FEMA previously issued a Remedy of Noncompliance Letter on March 11, 2025, informing you that you were not permitted to incur any additional costs under the awards until further notice from DHS/FEMA. This means that, during the closeout process, your final federal financial report must include all allowable costs incurred before the date of the Remedy of Noncompliance Letter but must not include costs incurred after the date of that Remedy of Noncompliance Letter.

FEMA will review all closeout documentation in accordance with 2 C.F.R. § 200.344. As part of its review, FEMA will determine the final allowable costs for your awards. This will include evaluating whether all submitted costs incurred before the date of the Remedy of Noncompliance Letter are necessary, allocable, and reasonable. FEMA will notify you of the final allowable costs for the awards and, if the payments made exceed the final allowable costs, you will need to promptly refund the difference. If, on the other hand, FEMA determines that the total allowable costs exceed the amount paid to date, then FEMA will make a final payment for that difference. FEMA will close the awards when it determines that all administrative actions and required work have been completed. Closeout will not affect DHS/FEMA's ability to later disallow costs and recover funds for the grant awards based on any later post-closeout audit or review.

If you wish to object to the termination of this award, you may challenge the termination in writing and provide any information or documentation relevant to your challenge. You must submit any written objections no later than 30 days of this letter. There will be no other opportunity to appeal this action to Department of Homeland Security.

The FEMA Grant Programs Directorate is available to respond to any questions you may have. Please send all information and communications regarding this notification to FEMA-
SSP@fema.dhs.gov.

Sincerely,



Cameron Hamilton
Senior Official Performing the Duties of the
Administrator

EXHIBIT 3

From: [Chloe Belczak](#)
To: [Lucy Prather](#)
Subject: Fw: UPDATE: Regarding Submission of Award Closeout Materials
Date: Thursday, April 24, 2025 3:15:02 PM
Attachments: [image002.png](#), [SF-428 Tangible Personal Property Report.pdf](#), [SF-428-B Tangible Personal Property Report – Final Report.pdf](#), [SF-428-S Tangible Personal Property Report – Supplemental Sheet.pdf](#), [SF-425 Final SSP FFR.pdf](#), [SSP Performance Progress Report Template.xlsx](#)

From: FEMA-SSP <fema-ssp@fema.dhs.gov>
Sent: Thursday, April 24, 2025 3:00 PM
To: FEMA-SSP <fema-ssp@fema.dhs.gov>
Subject: UPDATE: Regarding Submission of Award Closeout Materials

[Warning: External email]

Greetings,

This message provides instructions for how to submit closeout materials for your SSP award(s). Please refer to the Termination Notice letter your organization received on April 1, 2025, for additional information.

As the Termination Notice letter states, you must complete all closeout procedures. You will not be able to submit closeout materials in FEMA GO. Please submit your closeout documentation via email to the SSP Branch at fema-ssp@fema.dhs.gov. If you have any personally identifiable information (PII) in your documentation that you would like to submit, please password protect your file and send via encrypted email. Then, follow-up with a separate encrypted email to disclose the password(s) to the protected file(s).

The closeout requirements as outlined in the terms and conditions for this grant award are as follows:

1. Final Performance Progress Report (PPR)
 - a. Please use the attached PPR template to submit your final PPR.
2. Final Federal Financial Report (FFR) Standard Form (SF-425)
 - a. Please use the attached FFR template to submit your final FFR.
3. Final request for payment, if applicable
4. Federal owned Tangible Personal Property (SF-428, 428-B, 428-S), if applicable
 - a. Please see attached forms to submit your final SF-428(s).
 - b. Due to the Uniform Guidance changes that took effect on October 1, 2025, the SF-428-B Tangible Personal Property Report Final Report form on Grants.gov has been updated to include the new property definition and threshold of \$10,000. **Please note, SSP recipients fall under the previous definition and threshold of \$5,000.**
5. Closeout Narrative Report document, containing the following:

- a. A qualitative narrative summary of award accomplishments; and
 - b. Any additional information that is deemed necessary to explain award accomplishments and impact of the award.
6. If applicable, recipients should also include in the Closeout Narrative Report document an Inventory of Renovation Projects:
- a. The recipient must provide a Word document that covers a brief narrative and an inventory of any renovation projects, if applicable.
 - b. If any SSP funds were used for renovations or modifications to existing facilities, the recipient must submit an inventory of all projects. The inventory of all projects should include a brief narrative describing what renovations or modifications to existing facilities occurred during the period of performance and include pictures of the finished projects.

You will be notified when the award is closed. Please direct any questions related to the closeout process to the SSP Branch at fema-ssp@fema.dhs.gov.

Best,

Shelter and Services Program
Shelter and Services Program Branch | National Programs Division | Office of Grants Administration
| Resilience
fema-ssp@fema.dhs.gov

Federal Emergency Management Agency
fema.gov

